Supreme Court, U.S.
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No. 95-237

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1995

SEBASTIAN INTERNATIONAL, INC.,
Petitioner,

v.

LONGS DRUG STORES CORPORATION,
Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Ninth Circuit

AMICUS CURIAE BRIEF OF THE COALITION TO PRESERVE THE INTEGRITY OF AMERICAN TRADEMARKS IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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INTEREST OF AMICUS CURIAE

The Coalition To Preserve The Integrity Of American Trademarks ("COPIAT") is a trade association consisting of approximately 80 companies and associations representing a total of 12,000 businesses. COPIAT is dedicated to protecting the value of trademarks and other intellectual property rights in American industries by combatting all types of intellectual property fraud. In particular, COPIAT has worked for legislative, judicial, and regulatory changes designed to prevent the business injury to its members resulting from the domestic and international diversion of goods.

A number of COPIAT's members manufacture or distribute personal care products that are intended for sale to consumers only through authorized distributors. COPIAT has a strong interest in assuring that manufacturers and authorized distributors of personal care products who invest in special training in the application of those products have available the full protection from infringement provided by Congress in the Lanham Act. In particular, if such a manufacturer and its authorized distributors adopt and obtain a federal registration for a "collective membership mark" to identify themselves, as provided for in the Lanham Act, 15 U.S.C. § 1054, and there is evidence that use of that collective mark by a non-member has created consumer misapprehension that it, too, is a member, COPIAT and its members have a strong interest in the enforcement of the plain words of the Lanham Act to enjoin that infringement. *See* 15 U.S.C. §§ 1114(1), 1125(a).

Because the Ninth Circuit in the decision below has denied such protection to the collective membership mark used by a manufacturer and its distributors, COPIAT urges that the petition for certiorari of Sebastian International, Inc., be granted and the decision below reversed. Letters from both parties indicating consent to file this *amicus curiae* brief are on file with the Clerk.

STATEMENT

As described more fully in its Petition, Sebastian International Inc. ("Sebastian") manufacturers and distributes professional hair care products such as permanents, colorants and shampoos, and has chosen to market its products only through salons that employ licensed cosmetologists who are trained in the proper application and selection of Sebastian products. In 1992 it formed "The Sebastian Collective Membership Program" (the "Collective"), whose members consist only of professional hair salons and distributors that agree to be trained in the proper use and selection of Sebastian hair care products, and it holds product seminars and educational classes for members of the Collective about such proper use and selection.

In 1993, pursuant to Section 4 of the Lanham Act, 15 U.S.C. § 1054, Sebastian registered with the U.S. Patent and Trademark Office the collective membership marks[1/] SEBASTIAN COLLECTIVE SALON MEMBER and SEBASTIAN COLLECTIVE SALON MEMBER and Design, for indicating "membership in [Sebastian's] business club of entities authorized to distribute, promote, sell and teach how to use [Sebastian's] beauty care products."[2/] These collective

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1/ The Lanham Act defines a "collective mark" as "a trademark or service mark used by the members of a cooperative, an association, or other collective group or organization," including "marks indicating membership in a union, an association, or other organization," and provides for the registration of collective marks "in the same manner and with the same effect as are trademarks, by persons . . . exercising legitimate control over the use of the marks." 15 U.S.C. §§ 1054, 1127.

2/ In 1994, during the pendency of the appeal of the District Court's order preliminarily enjoining Respondent Longs Drug Stores Corp. from selling Sebastian's products, Sebastian also registered with the U.S. Patent

(continued...)

membership marks appear on all Sebastian hair care products, as well as on posters, signage and various advertisements displayed by members of the Collective.

Respondent Longs Drug Stores Corp. ("Longs") operates general merchandise and drug stores. Its employees have not received the training and provide none of the services in which members of Sebastian's Collective have invested. Longs purchases Sebastian hair care products from unknown diverters and resells those products bearing Sebastian's collective membership marks even though it is not a member of the Collective. In 1993, Sebastian sued Longs for trademark infringement and unfair competition under the Lanham Act.

The District Court preliminarily enjoined Longs from continuing to sell products bearing a collective membership mark identifying a collective of which it was not a member and whose characteristic training it has not received. 30 U.S.P.Q. 2d 1785 (C.D. Cal. 1994). In so doing, the District Court held that the judicially-created "first sale" doctrine does not shield a reseller from liability under the "likelihood of confusion" standard provided in the Lanham Act when the reseller uses a collective membership mark in such a way as to create a likelihood of confusion as to the reseller's association with the collective membership program. The court determined that Sebastian's collective membership registrations were valid and that based on survey and other evidence, there was a likelihood of confusion that consumers

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[2/](...continued)
and Trademark Office the mark SEBASTIAN COLLECTIVE SALON MEMBER as a collective service mark for educational and distributorship services performed by members of Sebastian's business club. These services include workshops and one-on-one consultations with hairdressers regarding health and beauty and the use of various hair care products.

would believe, erroneously, that a store selling Sebastian products bearing the collective membership mark was affiliated with the Collective.

In a *per curiam* opinion, the Ninth Circuit reversed the District Court's order. Applying the so-called first sale doctrine, the Court of Appeals held that Longs' resale of "genuine" Sebastian products bearing Sebastian's collective membership marks does not violate the Lanham Act. 53 F.3d 1073, 1077 (9th Cir. 1995). In so holding, it ruled that the "'first sale' rule is not rendered inapplicable merely because consumers erroneously believe the reseller is affiliated with or authorized by the producer." *Id.* at 1076.

There was a separate concurrence based on the erroneous proposition, inconsistent with the Patent and Trademark Office's action in registering Sebastian's marks, that the registrations themselves are not valid. This proposition, not joined in by the panel majority, is *not* the basis of the panel's decision and is not addressed in this brief.

SUMMARY OF ARGUMENT

The Ninth Circuit has applied the judicially-created "first sale" doctrine in direct conflict with the plain language of the Lanham Act and decisions of other courts of appeal that have properly applied it. The Lanham Act prohibits use of a mark in such a way as to create a "likelihood of confusion" as to source or sponsorship, association or affiliation. 15 U.S.C. §§ 1114(1), 1125(a). There is no exemption in the Lanham Act for unauthorized use of a mark that results in a likelihood of confusion, and the Ninth Circuit's expansion of the first sale doctrine to provide such an exception is unwarranted and unsupported by the plain language of the statute or its legislative history.

In thwarting Sebastian's attempt to confine its products to an identified group of distributors that have undergone training and who provide important consumer services, the Ninth Circuit held that federal trademark law is subordinate to a discredited and abandoned doctrine of antitrust law. Where inter-brand competition is intense, as it is among personal care products, no existing antitrust principle is contravened by creation of a collective trademark that enables consumers to identify authorized distributors who have undergone training and who provide specialized services in conjunction with the sale of a particular manufacturer's products.

The Ninth Circuit's decision is significantly detrimental to the *amicus curiae* and the American consumer. It undermines the ability of a manufacturer to ensure that its products are distributed in a way that is consistent with the product's quality and image, and to select and identify only those distributors who are willing to make a desired investment. By so doing, the court's ruling tends to stifle inter-brand competition in the provision of personal care products by making it impossible for providers of such

products who invest in training and service to identify themselves by a collective mark without being confused with free riders who have not made such investments.

ARGUMENT

I. THE NINTH CIRCUIT'S EXPANSIVE INTERPRETATION OF THE FIRST SALE DOCTRINE CONFLICTS WITH THE PLAIN LANGUAGE OF THE LANHAM ACT AND IS IN CONFLICT WITH DECISIONS IN OTHER CIRCUITS.

Section 32 of the Lanham Act provides that anyone who, without the consent of the owner of a registered mark, uses in commerce a reproduction, counterfeit, copy, or colorable imitation of the registered mark in such a way that "is likely to cause confusion, or to cause mistake, or to deceive," is liable for trademark infringement. 15 U.S.C. § 1114(1).

Similarly, Section 43(a) of the Lanham Act provides that anyone who uses in commerce any false or misleading description of fact, or false or misleading representation of fact which "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship or approval of his or her goods, services or commercial activities by another person," is liable for unfair competition. 15 U.S.C. § 1125(a)(1).

The Lanham Act provides no statutory "first sale" exception. Nor is there any discussion of the "first sale" exception in the House and Senate Reports on the Trademark Act of 1946. Similarly, a review of the legislative history of the Trademark Law Revision Act of 1988, which substantially amended the Trademark Act of 1946, disclosed no reference

to the "first sale" exception, let alone the Ninth Circuit's expansive interpretation of the doctrine.

Citing *Prestonettes* v. *Coty*, 264 U.S. 359 (1924), the Ninth Circuit stated that "with certain well defined exceptions, the right of a producer to control distribution of its trademarked product does not extend beyond the first sale of the product." 53 F.3d at 1074. The Ninth Circuit, however, failed to mention that those "well-defined exceptions" recognized by this Court and other courts apply when a reseller's use of another's mark results in a likelihood of consumer confusion, as was the case here.

The landmark decision on a trademark owner's control of its trademark after a "first sale" has occurred is this Court's decision in *Prestonettes*. In that case, the Court held that a repackager or rebottler of "genuine" goods may use the original manufacturer's trademark on the labels for repackaged or rebottled goods *only* if purchasers are *not* deceived as to what they are buying. The Court reinstated the district court decree which required the repackager or rebottler to follow stringent labeling requirements designed to avoid confusion by buyers as to what had been done to the original manufacturer's trademarked products. As Justice Holmes observed, "[w]hen the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth." 264 U.S. at 368.

Similarly, in *Champion Spark Plug Co.* v. *Sanders*, 331 U.S. 125 (1947), this Court held that a person who repairs or reconditions a trademarked product can use the manufacturer's trademark only if he fully discloses what has been done to the goods so that buyers will not be confused as to the used nature of the goods or as to any connection or sponsorship by the original manufacturer. The Court held that compliance with the appellate court's decree which required all repaired or

reconditioned spark plugs to be so labeled and a legend on all cartons, containers, and advertising that made it clear that the plugs were used or reconditioned, constituted full disclosure.

As *Prestonettes* and *Champion* make clear, the first sale doctrine applies only in the absence of a likelihood of consumer confusion. Consistent with these landmark decisions from this Court, the lower courts have shielded a reseller from liability for trademark infringement *only* when the reseller's use of the manufacturer's mark did not result in a likelihood of confusing the public as to affiliation with, sponsorship by, or approval or authorization of, the trademark owner. For example, in *Matrix Essentials, Inc.* v. *Emporium Drug Mart, Inc.*, 988 F.2d 587 (5th Cir. 1993), relied on below, the Court of Appeals had held explicitly that in the circumstances of that case unauthorized resale of hair products bearing plaintiff's trademark had *not* resulted in any likelihood of confusion. Similarly, in *H.L. Hayden Co. of New York* v. *Siemens Medical Systems*, 879 F.2d 1005, 1023 (2d Cir. 1989), unauthorized resale of dental equipment bearing plaintiff's trademark was found not to have resulted in any likelihood of confusion because customers were aware that what they purchase from defendant is only the manufactured product and not its installation.

Where, however, a reseller uses another's mark in such a way as to result in a likelihood of confusion among consumers as to affiliation, sponsorship or association, the reseller has been found to be liable under the Lanham Act. For example, in *Bandag, Inc.* v. *Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 911 (Fed. Cir. 1984), sale of genuine BANDAG recapped tires by a distributor who was not an authorized BANDAG franchisee, but whose use of the BANDAG mark was found likely to suggest to prospective customers that defendant was, in fact, part of the plaintiff's franchise organization, was found to violate the Lanham Act.

Given that a likelihood of confusion was found to exist, the fact that the products sold by the defendant were "genuine" provided no defense.

The right of a trademark owner to prevent confusion, even where goods sold by an infringer are "genuine," has also been recognized by the Third Circuit. In *Bill Blass, Ltd.* v. *SAZ Corp.*, 751 F.2d 152 (3d Cir. 1984), a preliminary injunction granted the trademark owner, Bill Blass, Ltd., barring an unauthorized outlet store from selling "authentic" but out of date BILL BLASS clothing which it obtained when it purchased the assets of an authorized retailer, was affirmed because the sale of BILL BLASS goods by the unauthorized outlet created the misapprehension that it was a licensee of Bill Blass. The fact that the goods in question had been "first sold" by Bill Blass or that they were "genuine" did not provide a defense because of the consumer confusion such sales were found likely to create. In considering the public interest, the court observed:

> "Congress has in the Trademark Act made the policy determination that the public interest is advanced by designation of property interests in trademarks. Thus the public interest is advanced by preventing the erosion of the values of such interests. The only countervailing public interest advanced by [defendant] is that of purchasing a coat at a discount from a discount retailer. Under the terms of the injunction, . . . [defendant] is free to sell such coats . . . so long as the label is removed. It is not free to exploit the BILL BLASS trademark for which it has no license . . ."

Id. at 156.

The federal district courts have also applied the "likelihood of confusion" standard undiminished by any "first sale" or "genuine goods" exceptions. For example, in *Stormer, Div. of Fuqua Industries, Inc.* v. *Johnson*, 587 F. Supp. 275 (W.D. Mich. 1984), a distributor that sold genuine STORMER agricultural equipment was held to have violated the Lanham Act when it "used plaintiff's trademarks in a manner which is likely to cause the public to believe that defendants are part of Stormer's authorized sales network." *Id.* at 279. Similarly, in *Volkswagenwerk A.G.* v. *Smith*, 471 F. Supp. 385 (D.N.M. 1979), a garage specializing in the repair of Volkswagens was enjoined from using the VOLKSWAGEN mark in such a manner as to confuse members of the public into believing it was an authorized Volkswagen repair shop subject to the quality control and training requirements established by the trademark owner. And in *Adolph Coors Co.* v. *A. Genderson & Sons, Inc.*, 486 F.Supp 131 (D. Colo. 1980), a beer distributor not authorized by the owner of the COORS trademark to carry that brand, and which did not keep the beer refrigerated as required by Coors of its authorized distributors, was enjoined from continuing to sell "genuine" COORS beer because by doing so it was likely to confuse consumers into believing that the beer it sold was "of the same high quality and freshness as the beer distributed by authorized distributors . . ." *Id.* at 134.

In this case, Sebastian presented the District Court with compelling evidence that consumers are likely to be confused as to whether resellers of Sebastian products bearing the collective membership marks are affiliated with the Collective and subject to its standards. A survey commissioned by Sebastian showed that 40% of consumers believe that a drug store would have to be authorized to sell Sebastian products bearing the collective membership marks, and that 14% believe that a drug store such as Longs that carries Sebastian products bearing the Sebastian collective mark would be

affiliated with the Collective. The District Court properly concluded that such substantial evidence of actual confusion, "although not required, certainly tends to establish the likelihood of confusion." 30 U.S.P.Q. 2d at 1790.[3/]

Notwithstanding such evidence of likelihood of confusion, the Ninth Circuit refused to apply the plain language of the Lanham Act to Longs' infringement. In conflict with the Federal Circuit's holding in *Bandag*, that of the Third Circuit in *Bill Blass*, and unlike the Fifth Circuit's decision in *Matrix*, where no confusion was found to have occurred, the Court of Appeals expanded the judge-made first sale doctrine to supersede the statutory protections provided by the Lanham Act even though confusion was recognized to be likely.

Although it disturbed the Ninth Circuit that Sebastian displayed the collective membership mark on its product packaging, 53 F.3d at 1077, that fact is irrelevant. The Lanham Act gives manufacturers like Sebastian the explicit right to use a collective membership mark to designate membership in an organization. Sections 4, 45, 15 U.S.C. §§ 1054, 1127. Whether that identifying mark appears on a window decal or sign, in an advertisement, or on a product bottle is statutorily beside the point. *See, e.g., Boise Cascade Corp.* v. *Mississippi Pine Manufacturers Association*, 164 U.S.P.Q. 364, 367 (TTAB 1969); *Saks & Co.* v. *Snack Food Association*, 12 U.S.P.Q. 2d 1833, 1836 (TTAB 1989).

[3/] *See, e.g., Exxon Corp.* v. *Texas Motor Exchange, Inc.*, 628 F.2d 500 (5th Cir. 1980) (survey showing 15 percent of respondents associated defendant's TAXON auto repair service mark with plaintiff's EXXON gasoline mark constitutes strong evidence indicating a likelihood of confusion); *Mutual of Omaha Insurance Co.* v. *Nova*, 836 F.2d 397 (8th Cir. 1987), *cert. denied*, 488 U.S. 933 (1988) (results of between 10% and 12% of confusion as to whether senior user "goes along" with defendant's parody of T-shirts support finding of infringement).

The collective membership marks displayed on Sebastian's hair care products properly denote membership in the Collective and signify to potential purchasers that the entity selling the products is a member of the Collective and has made the investment in training and service sought to be differentiated by the mark. By selling Sebastian products bearing Sebastian's collective marks, Longs is misrepresenting that it is part of or affiliated with the Collective, has received the same training and provides the same service. Accordingly, by interpreting the first sale doctrine as shielding Longs from liability for infringement and unfair competition provided by the plain language of the Lanham Act, the Court of Appeals failed to properly apply the statute and placed its own application of the statute in conflict with that of other courts of appeal.

II. THE COMPETITION POLICY RATIONALE OF THE DECISION BELOW CONFLICTS WITH ANTITRUST DECISIONS OF THIS COURT AND OF OTHER COURTS OF APPEAL.

As clearly expressed in its opinion, the Ninth Circuit was more concerned with the prospect that a manufacturer might use a collective membership mark as a vehicle to control the downstream sale of its products than with the plain language of the Lanham Act. 53 F.3d at 1077 & n.9. In that respect, the Court of Appeals' decision constitutes an effort to resurrect an antitrust doctrine expressly rejected by this Court in the guise of a judicially-created exception to the Lanham Act.

The Court of Appeals said that it had carved out a first sale exception to the "likely to cause confusion" standard codified by Congress because of a felt need to provide an "accommodation between strong and conflicting forces." 53 F.3d at 1075. It saw itself as balancing the "legitimate

purposes of trademark law—the producer gains the good will associated with the quality of its product, and the consumer gets exactly what the consumer bargains for" against a presumed "strong" federal policy to preserve "an area of competition by limiting the producer's power to control the resale of its product." *Id.* By "accommodating" the plain language of a federal statute to a judge-made competition policy already repudiated by this Court, the Ninth Circuit "decided a federal question in a way that conflicts both with applicable decisions of this Court" (Sup. Ct. Rule 10.1(c)) and "with the decision of another United States Court of Appeals on the same matter." *Id.*, Rule 10.1(a).

In *Continental T.V., Inc.* v. *GTE Sylvania Inc.*, 433 U.S. 36 (1977), this Court reversed *United States* v. *Arnold, Schwinn & Co.*, 388 U.S. 365 (1967), and held that it is not presumptively anticompetitive or unlawful for a manufacturer to limit and restrict the distributors and retailers permitted to resell its products. It was recognized in *GTE Sylvania* that such restrictions on so-called "intrabrand competition" may have an important positive impact on competition among different brands. Where, as here, there is no evidence that competition among different brands is anything but highly fragmented and vigorous,

> "new manufacturers . . . can use [such] restrictions in order to induce competent and aggressive retailers to make the kind of investment of capital and labor that is often required in the distribution of products unknown to the consumer[, and] [e]stablished manufacturers can use them to induce retailers to engage in promotional activities or to provide service and repair facilities necessary to the efficient marketing of their products. . . . The availability and quality of such services affect a manufacturer's goodwill and the competitiveness of his product.

> Because of market imperfections such as the so-called 'free rider' effect, these services might not be provided by retailers in a purely competitive situation, despite the fact that each retailer's benefit would be greater if all provided the services than if none did."

Id. at 55, citing R. Posner, *Antitrust Policy and the Supreme Court: An Analysis of the Restricted Distribution, Horizontal Merger and Potential Competition Decisions*, 75 Colum. L. Rev. 282, 285 (1975).

In this case, the supposed countervailing competition policy put forward by the majority below as its justification for refusing to implement the statutory "likely to cause confusion" standard is precisely the same policy, articulated by one of the same judges, which this Court expressly rejected in *GTE Sylvania*. *See* 433 U.S. at 53, n.21 (discussing "Judge Browning's interpretation of *Schwinn*"). It is also a policy and antitrust legal standard expressly rejected by the Court of Appeals for the Fifth Circuit in *Matrix Essentials, Inc.* v. *Emporium Drug Mart, Inc.*, 988 F.2d 587, 593-94 (5th Cir. 1993), in which the Fifth Circuit affirmed entry of summary judgment dismissing a claim that Matrix had violated the antitrust laws by seeking to restrict distribution of its hair care products to authorized hair salons. Where there is vigorous competition among brands, claims that restrictions on resale violate competition policy are defective as a matter of law. *Id. See also, Trans Sport, Inc.* v. *Starter Sportswear, Inc.*, 964 F.2d 186, 190-91 (2d Cir. 1992) (affirming summary judgment dismissing antitrust claim); *Assam Drug Co.* v. *Miller Brewing Co.*, 798 F.2d 311, 316-19 (8th Cir. 1986) (same); *Red Diamond Supply, Inc.* v. *Liquid Carbonic Corp.*, 637 F.2d 1001, 1004-07 (5th Cir.), *cert. denied*, 454 U.S. 827 (1981) (affirming judgment n.o.v.); *Sports Center, Inc.* v. *Riddell, Inc.*, 673 F.2d 786, 791 (5th Cir. 1982) (holding that,

absent market power, "vertical restrictions on product distribution are permissible and even desirable"); *Clairol, Inc.* v. *Boston Discount Center of Berkeley*, 608 F.2d 1114, 1125 (6th Cir. 1979) (noting that "nothing in the antitrust laws . . . compels a manufacturer to produce and package products so that they are wholly suitable for a market in which it does not intend them to be used . . .").

By presupposing and "accommodating" a non-existent federal competition policy in favor of protecting free riders, the majority below has stood existing antitrust policy on its head. As recently articulated by the federal agencies responsible for enforcing federal competition policy (addressing the related subject of exclusive licenses):

> "[Such limitations] may serve procompetitive ends by allowing the licensor to exploit its property as efficiently and effectively as possible . . . [V]arious forms of exclusivity can be used to give . . . an incentive to invest in the commercialization and distribution of products . . . by protecting . . . *against* free-riding on the licensee's investments . . . ."

Antitrust Guidelines for the Licensing of Intellectual Property, 68 ANTITRUST & TRADE REG. REP. (BNA) No. 1708 (Special Supp.) at S-4 (April 13, 1995) (emphasis added). *Accord*, *GTE Sylvania*, 343 U.S. at 55 (referring to "free riders" as a "market imperfection").

Here, Sebastian and the distributors identified by its collective service marks have utilized those marks to facilitate consumer identification of entities that have made an investment in learning how to safely and effectively use and sell Sebastian's hair care products. The Ninth Circuit did not dispute the trial court's finding that "consumers erroneously

believe the [unauthorized] reseller is affiliated with or authorized by the producer." 53 F.3d at 1076. By holding that, notwithstanding such acknowledged consumer confusion, there is such a "strong" federal policy in favor of protecting free riders as to preclude enforcement of the plain language of the Lanham Act, the Court of Appeals "decided a federal question in a way that conflicts with applicable decisions of this Court," and created a conflict with decisions of other Courts of Appeal.

III. A PROPER DECISION OF THE QUESTION OF FEDERAL LAW PRESENTED IS IMPORTANT.

The Court of Appeals' reliance on a discredited antitrust doctrine to create a judge-made obstacle to enforcement of a federally registered collective mark creates a serious obstacle to an important form of competition. The effect of the decision below, as applied to similarly situated suppliers of personal care products and services, is to make it substantially more difficult for retailers who would otherwise choose to invest time, money and effort in learning how to properly apply and service personal care products to efficiently identify themselves to the public and differentiate themselves from mass marketers who would free ride on their investment.

Trademarks and service marks perform the important function of enabling time-constrained consumers to quickly and correctly identify products and services that provide understood quality, performance and service characteristics. Such marks also facilitate competition by enabling providers of unique products and services to establish an identity with consumers attracted to the particular products and/or services they provide.

Marks that have a service component are, in this respect, different from trademarks identifying solely a physical

product. Significantly, such a mark identifies whether the provider of a combination of products and service has received the training and conforms to the uniform practices and procedures identified by a particular mark.

In contrast to marks identifying only physical goods, marks associated with a service component cannot be "diverted" to an unauthorized and untrained provider without creating consumer confusion and undermining the service identification function of the mark. If, hypothetically, a motel that is not a genuine HOLIDAY INN were to use bars of soap, containers of shampoo and towels bearing the name HOLIDAY INN, that would constitute an infringement of the HOLIDAY INN mark whether or not the bars of soap, shampoo or towels had been sold out the back door by an unauthorized HOLIDAY INN and were, therefore, in that limited sense, "genuine" goods. The owner of a federal registration under the Lanham Act has an enforceable right to market a combination of products and services in a manner that permits consumers to expect to get its particular offering every time its particular mark is observed—notwithstanding that enforcement of that right limits the mark's use only to "authorized" users. *See, e.g., Bandag, Inc.*; *Bill Blass Ltd.*; *Stormer*; *Volkswagenwerk*; *Adolph Coors Co., supra*.

The Court of Appeals below failed to comprehend that the collective marks sought to be enforced by Sebastian have many service attributes. As described in the registration themselves, Sebastian's collective marks identify hair salons trained and authorized to teach how to use Sebastian beauty care products. They are not simply trademarks connoting no more than particular physical goods. In that sense, the collective mark SEBASTIAN COLLECTION SALON MEMBER is no different in principal than HOLIDAY INN, BANDAG, BILL BLASS, STORMER, VOLKSWAGEN and

COORS, and it should be protected from unauthorized and confusing use in the same manner.

The Ninth Circuit's failure to provide such enforcement has implications that go well beyond this case. Providers of products and services that are not aimed at a mass market face severe obstacles to achieving retail distribution and consumer differentiation of their products and services. In seeking to compete with mass marketers, they need to be able to protect their investment in training and service and to establish an identifying mark that assures consumers looking for their unique product/service combination that every time the mark is seen that is what they'll get. As exemplified by the case described above, that exclusivity of use is provided to users of other marks having an important service component, and there is no reason in law or economics why Sebastian's collective mark should not be provided the same protection.

This case, then, provides this Court with a clear-cut opportunity to advance the job begun in *GTE Sylvania* of ridding federal regulatory law of judge-made obstacles to effective inter-brand competition. To let the decision below stand will stifle an important form of personal service competition in a world where provision of knowledgeable personal service to busy people provides an increasingly important consumer benefit.

CONCLUSION

For the foregoing reasons, this Court should grant Sebastian's petition and issue a writ of certiorari to the United States Court of Appeals for the Ninth Circuit.

Respectfully submitted,

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